

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE**
45 Fremont Street, 24th Floor
San Francisco, California 94105

NOTICE OF ADDITION TO RULEMAKING FILE

RH01015731

July 3, 2006

On November 21, 2005 the Insurance Commissioner issued a Notice of Proposed Action, proposing the adoption of regulations concerning the oversight of reinsurance. The notice was published in the California Regulatory Notice Register on December 2, 2005. The proposed regulations comprise Sections 2303 through 2303.25 of Title 10, Chapter 5, Subchapter 3 of the California Code of Regulations.

PUBLIC COMMENT INVITED

The Commissioner intends to add to the rulemaking file the following additional material:

1. Declaration of Robert Loo dated July 3, 2006
2. Declaration of Arlene Joyce dated July 3, 2006, with the following Exhibits:
 - A. Email from Arlene Joyce to James Holmes dated June 21, 1995 concerning a 1991 meeting with Citibank regarding letters of credit issued to Mission Insurance Company
 - B. Handwritten note of Arlene Joyce dated July 25, 1991 concerning meeting with Citibank regarding letters of credit issued to Mission Insurance Company
 - C. Email from Robert Hall to Arlene Joyce dated June 30, 2006 concerning condition of company records in some liquidation proceedings
 - D. Email to Kevin Kelly and Bruce Daley of the Pennsylvania Department of Insurance from Arlene Joyce dated May 1, 2002 regarding replacement of security for expiring letters of credit
 - E. Email to Arlene Joyce from Frederick Masters dated June 28, 2002, enclosing draft agreement for exchange of securities for expiring letters of credit
 - F. Draft agreement between the California Department of Insurance, the Pennsylvania liquidator of Legion Insurance Company and Villanova Insurance Company, and Comerica Bank to exchange securities for expiring letters of credit
 - G. Email from Mike Stone to David Fishman concerning discovery of side letters negating reinsurance risk transfer during an examination of a domestic insurer
 - H. Email from Bob Loo to Ramon Calderon and Arlene Joyce dated April 25, 2006, listing reinsurance contract terms and related issues considered by analysts in the Financial Analysis Division when reviewing property and casualty reinsurance agreements

- I. Diagram submitted by a licensee to explain an affiliate reinsurance transaction
- J. List of licensees which have submitted an application pursuant to Insurance Code Section 1011.5 in the years 2001 through 2005 for review of a reinsurance transaction
- 3. 2005 Annual Statement Blanks and Instructions
- 4. National Association of Insurance Commissioners Model Regulation No. 791 and Appendix A-791, Life and Health Reinsurance Agreements
- 5. Exhibits, National Association of Commissioners Risk Assessment Training, May 2-3, 2005
- 6. Glossary of Reinsurance Terms from the website of www.captive.com
- 7. Letter dated December 11, 1988 to California Insurance Commissioner Roxani Gillespie from Congressman John Dingell, Chairman of the Subcommittee on Oversight and Investigations
- 8. *Failed Promises, Insurance Company Insolvencies*, A Report by the Subcommittee on Oversight and Investigations of the Committee on Energy and Commerce, U.S. House of Representatives, February 1990
- 9. *The Failure of HIH Insurance, Volume I, A corporate collapse and its lessons*, The HIH Royal Commission, April 2003
- 10. *Property/Casualty Insurance Criteria: Adjusting For Finite Reinsurance*, Standard & Poors, March 14, 2005
- 11. Robert Lenzner and Bernard Condon, *Passing The Trash*, Forbes, January 10, 2000

Accordingly, pursuant to the provisions of California Government Code Section 11347.1, the Commissioner is soliciting written public comment on these documents.

The above listed documents will be available for public comment and inspection from July 3, 2006 through July 19, 2006. The documents may be inspected between the hours of 9:00 a.m. and 4:00 p.m., by arrangement with the contact person listed below, at the Department's offices at 45 Fremont Street, 24th Floor, San Francisco, California 94105.

CONTACT PERSON

All written comments submitted in response to this Notice and all general or substantive questions regarding this Notice should be directed to the following contact person:

Arlene Joyce, Senior Staff Counsel
California Department of Insurance
45 Fremont Street, 24th Floor
San Francisco, CA 94105
Telephone: (415) 538-4424
E-mail: joycea@insurance.ca.gov

SUBMISSION OF WRITTEN COMMENTS

All written comments on the additions to the rulemaking file must be received by the contact person, at her address as listed above, no later than **5:00 p.m. on July 19, 2006**. Any written materials received after that time will not be considered.

The Commissioner will accept written comments transmitted by e-mail provided they are sent to the following e-mail address: joycea@insurance.ca.gov. The Commissioner will also accept written comments transmitted by facsimile provided they are directed to the attention of the contact person and sent to the following facsimile number: (415) 904-5729. **Comments sent to other e-mail addresses or other facsimile numbers will not be accepted. Comments sent by e-mail or facsimile are subject to the deadline set forth above for written comments.**

All written comments received by July 19, 2006 which pertain to the above listed additions to the rulemaking file will be reviewed and responded to as part of the compilation of the rulemaking file.

AUTOMATIC MAILING

A copy of this notice will automatically be sent to all persons who testified or submitted written comments at the public hearing, all persons whose comments were received during the public comment period, all persons who requested copies of information regarding the regulations, and all persons who requested notification of the availability of such changes.

JOHN GARAMENDI
Insurance Commissioner

By: _____/s/
Arlene Joyce
Senior Staff Counsel